

C.S.McKEE INVESTMENT MANAGERS



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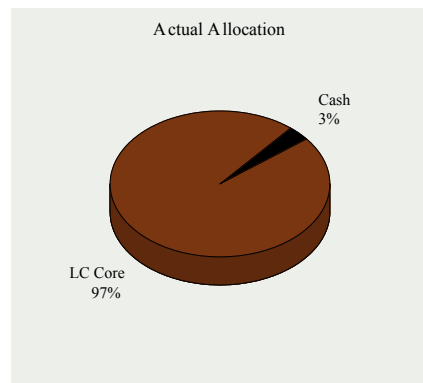
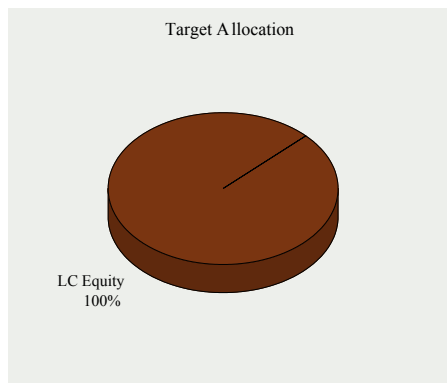
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Beaver County Employees' Retirement Fund - Equity

Account Statement for Period Ending 9/30/2012

90501

PORTFOLIO STRUCTURE



CASH FLOW SUMMARY

	QTD <u>6/30/12 - 9/30/12</u>	YTD <u>12/31/11 - 9/30/12</u>
Beginning Market Value	\$40,457,033	\$39,957,921
Net Additions/Disbursements	\$-8,998,016	\$-11,494,265
Investment Income <i>(Dividends & Interest)</i>	\$192,820	\$607,462
Portfolio Appreciation (Depreciation) <i>(Net Realized & Unrealized Gains & Losses)</i>	\$2,601,864	\$5,182,584
Ending Market Value	\$34,253,701	\$34,253,701

PERFORMANCE

Performance start 2/4/1983. Annualized Returns

	<u>QTD</u>	<u>YTD</u>	<u>1 YR</u>	<u>3 YRS</u>	<u>5 YRS</u>	<u>10 YRS</u>
Total Equities	7.06	14.66	28.98	11.83	1.44	9.62
Blend Index	6.35	16.44	30.20	13.19	1.18	8.41

Total Equities Blend Index

05/06/2009 SP500 100%

08/08/2002 R3000 100%

PORTFOLIO CHARACTERISTICS, *Large-Cap Core Equity*

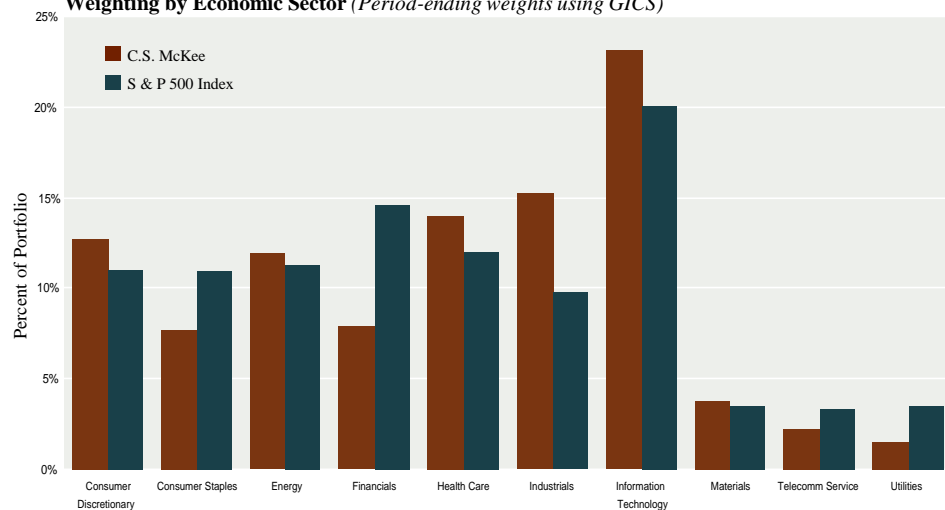
Quarter ending September 30, 2012

Benchmark Comparisons

	<i>C. S. McKee</i>	<i>S&P 500</i>	<i>Variance</i>
Number of Holdings	48	500	-452
Weighted Average Capitalization (\$Mil)	112,070	119,855	-7,785
Mean Capitalization (\$Mil)	83,917	26,921	+56,996
Median Capitalization (\$Mil)	36,340	12,350	+23,990
Yield (%)	1.96	2.19	-0.23
Beta (Volatility)	1.11	1.00	+0.11
R-Squared (Risk due to Market)	0.96	1.00	-0.04
5-Year Standard Deviation (Variability)	20.07	18.97	+1.10
Price-to-Book	2.34	2.07	+0.27
Turnover (Trailing 12 Months)	14.03		

Price-to-Earnings Ratios:			
Trailing 12-Month P/E Ratio	13.6	14.7	-1.1
2012 Forecast P/E Ratio	13.0	14.1	-1.1
2013 Forecast P/E Ratio	11.1	12.6	-1.5
EPS Growth - Next 5 Years (%)	12.2	10.8	+1.4

Weighting by Economic Sector (Period-ending weights using GICS)



Model accounts are used to produce characteristics and performance attribution for the C. S. McKee products. Adjustments are made to account for timing differences in the transactions and to balance to the actual time-weighted composite figure. Past security contributions to performance are not indicative of future results and client results may vary significantly.

The above information is shown as supplemental information and complements the composite disclosure presentation. Please see full disclosure information at the end of this presentation.

* For information on the contribution calculation methodology and a list of every holding's contribution to the overall account's performance during the measurement period, please contact C. S. McKee at 412-566-1234.

Best & Worst Contributors to Performance*/Top Holdings & Transactions

<i>Top 5 Contributors</i>	<i>% Contribution</i>	<i>% Return</i>	<i>Bottom 5 Contributors</i>	<i>% Contribution</i>	<i>% Return</i>
Google	0.88	30.07	Intel	(0.35)	(14.17)
Hess	0.48	23.86	Norfolk Southern	(0.18)	(10.74)
Chevron	0.39	11.37	Starbucks	(0.08)	(4.45)
Apple	0.36	14.74	Microsoft	(0.08)	(2.00)
Walgreen	0.34	24.14	Texas Instruments	(0.06)	(3.38)

<i>Top 10 Holdings</i>	<i>% of Portfolio</i>	<i>Transactions</i>
Wal-Mart Stores	WMT 4.35	<i>Buys</i>
Apple	AAPL 3.72	<i>New Position:</i> Occidental Petroleum (OXY)
Google	GOOG 3.60	<i>Additions:</i> Coach (COH)
Chevron	CVX 3.54	Apple (AAPL)
Microsoft	MSFT 3.46	<i>Sales</i>
PetSmart	PETM 2.91	<i>Full Position:</i> Dell (DELL)
Wells Fargo	WFC 2.78	ConocoPhillips (COP)
Coach	COH 2.60	<i>Trim:</i> PetSmart (PETM)
General Electric	GE 2.53	
Walt Disney	DIS 2.45	

Diversification by Market Capitalization

	<i>C. S. McKee</i>		<i>S&P 500</i>	
	<i>Stocks</i>	<i>% of Portfolio</i>	<i>Stocks</i>	<i>% of Index</i>
Less than \$5.0 Billion	2	2.6	75	1.9
\$5.0 to \$10.0 Billion	3	5.7	132	7.3
\$10.0 to \$25.0 Billion	10	18.8	167	19.3
\$25.0 to \$50.0 Billion	13	21.5	68	17.2
Over \$50.0 Billion	20	51.4	58	54.3
	48	100.0	500	100.0

ECONOMIC PERSPECTIVE, *Third Quarter 2012*

It was an eventful summer for the global economy, with no lack of major central-bank pronouncements. The European Central Bank (ECB) struck first, surprising the markets by going “all in” with a plan to support the euro currency and the bond markets of member countries. The Outright Monetary Transactions (OMT) plan will be conducted by request, provided the member country agrees to enter either the full EFSF/ESM macroeconomic adjustment (a.k.a. austerity) program or the less-stringent precautionary program (Enhanced Conditions Credit Line). The ECB will then buy sovereign bonds of one-year to three-year maturities on the open market, without a preset limit. The central bank will not receive senior status on its holdings. Such a condition, requiring full repayment to the bank ahead of other bondholders, would ultimately drive out private investors. The IMF will be involved in the design of the specific conditions for each participant’s inclusion in a program and monitor ongoing compliance.

Our Federal Reserve took a page from the ECB playbook, following the OMT with its own version of exceeding market expectations. The plan to purchase \$40 billion in mortgages per month was joined by the promise to continue the Fed’s balance sheet expansion until greater job creation is apparent. With this new plan came the renewed call to end Congressional intransigence and address the looming “fiscal cliff,” According to a report from the San Francisco Fed, the uncertainty faced by consumers and businesses regarding the current economic environment and possible changes in tax law is elevating the unemployment rate by 1%.

While both central-bank plans provoked an immediate reaction from the financial markets, the effects were largely fleeting, and neither plan will do much to spur growth, the real key to paying down debt. The Fed’s will be the more effective of the two plans, doing more to inflate away the growing debt burden than generate tax revenue.

Progress on the U.S. economic recovery may be further complicated by the looming “fiscal cliff,” which threatens tax increases and reduced government spending totaling an expected \$600 billion. This figure, approaching 4% of GDP, would almost certainly tip the recently slowing U.S. economy into recession next year. Of course, the long-term benefits from falling off the proverbial cliff might be worth the short-term pain. The Congressional Budget Office believes the \$787 billion spent under the Recovery Act reduced projected GDP growth by 0.2% through 2019. If tax cuts and increased spending actually depress growth, then maybe political gridlock and forced progress on debt reduction will ultimately boost growth. We expect, however, that after much bickering along party lines a compromise will entail a return to a 6.2% Social Security tax rate and a phase out of the Bush tax cuts.

With Presidential and Congressional elections approaching and the outcomes far from certain, the final two months of this year will be anything but quiet. Following almost immediately thereafter is the next installment of the debt-ceiling debate about raising the current limit of \$16.39 trillion (more than \$50,000 for every individual in the U.S.).

Europe should see economic growth of approximately 0.5% next year, while Asia growth fades to a 6.5% rate. Buoyed by a steady increase in housing starts and the return of domestic capital spending, the U.S. should sneak over the 2% mark, with job gains averaging 150,000 per month.

LARGE-CAP CORE EQUITY COMMENTARY, *Third Quarter 2012*

Don't fight the Fed

Let's see... the debt crisis in Europe remains unresolved and many European economies are either in recession or headed that way; there is an upcoming Presidential election in the U.S. having major economic implications; a "fiscal cliff" of tax hikes and spending cuts is only months away; and earnings forecasts on U.S. stocks are being slashed. So, of course, the S&P 500 Index rose 6.3% in the third quarter. Oh yeah, the Federal Reserve announced a third round of quantitative easing wherein it would inject more money into the financial system by buying \$40 billion per month of mortgage-backed securities while continuing "Operation Twist" and keeping interest rates near zero into 2015... The title above says it all.

Under these conditions, the C.S. McKee Large-Cap Core strategy posted a return of 6.9%, beating the Index by 60 basis points. Support came from the Consumer Staples and Healthcare sectors, which added 50 basis points and 25 basis points, respectively. The two sectors dove-tailed nicely when Walgreen's and Express Scripts announced, in July, a resolution to their six-month-long contract dispute. Since January, Walgreen's customers had been unable to participate in the Express Scripts retail pharmacy network and were forced to go elsewhere for prescription medicines. As a result of the new contract, Express Scripts rallied 12% and Walgreen's 24%, making the latter the second-best-performing stock in the portfolio. Collectively, the two names accounted for 36 basis points of out-performance.

The strongest headwinds came from the Consumer Discretionary sector, which cost the portfolio 62 basis points. Shares of upscale retailer Coach, were sacked by nearly 4% after it announced that fourth-quarter revenue came in below expectations. This was attributed entirely to weakness in North American outlet stores. We judged the strong sell-off an over-reaction and used it as an opportunity to add to the position.

At the same time, shares of everyone's favorite coffee purveyor, Starbucks, ground lower by 4.5% as the company experienced a moderate slowdown in U.S. store traffic. The company also lowered fourth-quarter earnings guidance by 2 cents. Collectively, these two stocks, Coach and Starbucks, cost the portfolio 37 basis points. Our 3% cash position also detracted 22 basis points from relative performance.

Year to date

For the first nine months of the year the portfolio returned 14.5% compared to 16.4% for the S&P 500 Index, with the Information Technology sector representing virtually all of that under-performance. Shares of Apple have soared more than 65% so far this year, making it the best-performing stock in the Index. In fact, Apple alone is responsible for over 2.1 percentage points of the 16.4% return in the Index this year. Unfortunately, our underweight position (2.55% versus 4.32% for the Index) cost the portfolio 94 basis points of relative performance. Shares of Dell, Intel and Sandisk were also negative year-to-date and, together, cost the portfolio 149 basis points.

Looking ahead

To say that the outlook for the next three months is murky would be a gross understatement. As mentioned above, the primary drivers for the market will be the outcome of the U.S. elections, the speed with which Congress addresses the looming "fiscal cliff," developments in the European economic environment, and pending increases in taxes on capital gains and dividends.

At the beginning of the year we said we expected U.S. stocks to return 10%-15% in 2012. Market performance is now slightly above the upper end of that range. If the markets just hold on to the gains booked in the first nine months of the year, 2012 would be viewed as very successful, given the consensus estimates in January.

Portfolio Summary

As of: 9/30/2012

90501

Beaver County Employees' Retirement Fund - Equity

Asset Class	Total Cost	Weight at Cost	Market Value	Accrued Income	Total Value	Weight at Market
Domestic Equity	\$27,396,654.27	95.86%	\$33,042,738.11	\$29,121.50	\$33,071,859.61	96.55%
Cash	\$1,181,841.52	4.14%	\$1,181,841.52	\$0.00	\$1,181,841.52	3.45%
Total Portfolio	\$28,578,495.79	100.00%	\$34,224,579.63	\$29,121.50	\$34,253,701.13	100.00%

Portfolio Holdings

As of: 9/30/2012

90501

Beaver County Employees' Retirement Fund - Equity

Description	Issue	Rating	Shares	Unit Cost	Total Cost	Weight at Cost	Market Price	Market Value	Accrued Income	Total Value	Weight at Market
Domestic Equity											
<i>Consumer Discretionary</i>											
BORG WARNER INC	COMMON		7,100.00	67.78	481,217.41	1.68%	69.11	490,681.00	0.00	490,681.00	1.43%
COACH INC	COMMON		15,800.00	56.80	897,426.25	3.14%	56.02	885,116.00	5,970.00	891,086.00	2.60%
WALT DISNEY CO	COMMON		16,050.00	22.17	355,903.86	1.25%	52.28	839,094.00	0.00	839,094.00	2.45%
KOHL'S CORP	COMMON		9,000.00	52.97	476,719.20	1.67%	51.22	460,980.00	0.00	460,980.00	1.35%
PETSMART INC	COMMON		14,400.00	23.32	335,852.52	1.18%	68.98	993,312.00	0.00	993,312.00	2.90%
STARBUCKS CORP	COMMON		10,100.00	25.79	260,446.17	0.91%	50.71	512,171.00	0.00	512,171.00	1.50%
<i>Consumer Staples</i>											
PHILIP MORRIS INTL	COMMON		5,700.00	38.07	216,980.87	0.76%	89.94	512,658.00	6,120.00	518,778.00	1.51%
WAL MART STORES INC	COMMON		20,200.00	50.47	1,019,471.09	3.57%	73.80	1,490,760.00	0.00	1,490,760.00	4.35%
WALGREEN CO	COMMON		15,000.00	43.82	657,319.81	2.30%	36.44	546,600.00	0.00	546,600.00	1.60%
<i>Energy</i>											
APACHE CORP	COMMON		5,200.00	125.71	653,689.40	2.29%	86.47	449,644.00	0.00	449,644.00	1.31%
CHEVRON CORP	COMMON		10,450.00	57.08	596,524.52	2.09%	116.56	1,218,052.00	0.00	1,218,052.00	3.56%
HALLIBURTON	COMMON		13,400.00	36.99	495,661.93	1.73%	33.69	451,446.00	0.00	451,446.00	1.32%
HESS CORPORATION	COMMON		14,700.00	59.25	870,962.80	3.05%	53.72	789,684.00	0.00	789,684.00	2.31%
OCCIDENTAL PETE CORP	COMMON		6,800.00	88.00	598,421.48	2.09%	86.06	585,208.00	4,590.00	589,798.00	1.72%
TRANSOCEAN LTD	COMMON		9,853.00	88.59	872,905.04	3.05%	44.89	442,301.17	0.00	442,301.17	1.29%
<i>Financials</i>											
BANK OF NEW YORK MEL	COMMON		21,800.00	27.59	601,354.86	2.10%	22.62	493,116.00	0.00	493,116.00	1.44%
GOLDMAN SACHS GROUP	COMMON		4,600.00	135.46	623,125.20	2.18%	113.68	522,928.00	0.00	522,928.00	1.53%
JPMORGAN CHASE & CO	COMMON		16,100.00	35.07	564,652.76	1.98%	40.48	651,728.00	0.00	651,728.00	1.90%
WELLS FARGO & CO	COMMON		27,500.00	29.12	800,769.75	2.80%	34.53	949,575.00	0.00	949,575.00	2.77%
<i>Health Care</i>											

Portfolio Holdings

As of: 9/30/2012

90501

Beaver County Employees' Retirement Fund - Equity

Description	Issue	Rating	Shares	Unit Cost	Total Cost	Weight at Cost	Market Price	Market Value	Accrued Income	Total Value	Weight at Market
Health Care											
ABBOTT LABS	COMMON		9,300.00	54.39	505,847.46	1.77%	68.56	637,608.00	0.00	637,608.00	1.86%
CELGENE CORP	COMMON		7,100.00	57.80	410,408.93	1.44%	76.40	542,440.00	0.00	542,440.00	1.58%
ENDO HEALTH SOLUTNS	COMMON STOCK		12,300.00	40.11	493,333.03	1.73%	31.72	390,156.00	0.00	390,156.00	1.14%
EXPRESS SCRIPTS HLDG	COMMON STOCK		11,823.00	55.47	655,795.96	2.29%	62.63	740,474.49	0.00	740,474.49	2.16%
QUEST DIAGNOSTICS	COMMON		12,000.00	53.42	641,006.61	2.24%	63.43	761,160.00	2,040.00	763,200.00	2.23%
VARIAN MED SYS INC	COMMON		6,800.00	53.53	364,033.24	1.27%	60.32	410,176.00	0.00	410,176.00	1.20%
ZIMMER HOLDINGS	COMMON		9,800.00	67.04	656,988.56	2.30%	67.62	662,676.00	2,250.00	664,926.00	1.94%
COVIDIEN PLC	SHARES		8,175.00	37.86	309,530.78	1.08%	59.42	485,758.50	0.00	485,758.50	1.42%
Industrials											
DOVER CORP	COMMON		9,200.00	42.25	388,740.41	1.36%	59.49	547,308.00	0.00	547,308.00	1.60%
EMERSON ELEC CO	COMMON		8,700.00	30.99	269,649.18	0.94%	48.27	419,949.00	0.00	419,949.00	1.23%
GENERAL ELECTRIC CO	COMMON		37,850.00	16.30	616,994.00	2.16%	22.71	859,573.50	8,151.50	867,725.00	2.53%
HONEYWELL INTL INC	COMMON		11,100.00	43.10	478,386.58	1.67%	59.75	663,225.00	0.00	663,225.00	1.94%
KENNAMETAL INC	COMMON		12,300.00	37.64	462,953.70	1.62%	37.08	456,084.00	0.00	456,084.00	1.33%
NORFOLK SOUTHERN	COMMON		8,000.00	31.51	252,080.00	0.88%	63.63	509,040.00	0.00	509,040.00	1.49%
3M COMPANY	COMMON		8,700.00	75.43	656,211.49	2.30%	92.42	804,054.00	0.00	804,054.00	2.35%
TYCO INTL LTD	COMMON		13,375.00	41.76	558,529.12	1.95%	56.26	752,477.50	0.00	752,477.50	2.20%
Information Technology											
APPLE INC	COMMON		1,900.00	413.35	785,361.82	2.75%	667.11	1,267,499.50	0.00	1,267,499.50	3.70%
CISCO SYSTEMS INC	COMMON		38,550.00	19.32	744,968.98	2.61%	19.10	736,112.25	0.00	736,112.25	2.15%
EMC CORP MASS	COMMON		25,600.00	21.67	554,690.56	1.94%	27.27	698,112.00	0.00	698,112.00	2.04%
GOOGLE INC	CLASS A		1,650.00	367.48	606,334.99	2.12%	754.50	1,244,925.00	0.00	1,244,925.00	3.63%
INTEL CORP	COMMON		30,400.00	21.42	651,038.71	2.28%	22.66	688,712.00	0.00	688,712.00	2.01%
MICROSOFT CORP	COMMON		39,800.00	20.79	827,481.82	2.90%	29.76	1,184,448.00	0.00	1,184,448.00	3.46%
ORACLE CORP	COMMON		19,600.00	28.42	557,098.64	1.95%	31.46	616,616.00	0.00	616,616.00	1.80%
SANDISK CORP	COMMON		15,300.00	51.37	785,922.57	2.75%	43.43	664,479.00	0.00	664,479.00	1.94%
TEXAS INSTRUMENTS	COMMON		19,500.00	26.80	522,523.77	1.83%	27.56	537,322.50	0.00	537,322.50	1.57%
Materials											
FREEPORT-MCMORAN C&G	COMMON		17,700.00	41.28	730,658.71	2.56%	39.58	700,566.00	0.00	700,566.00	2.05%

Portfolio Holdings

As of: 9/30/2012

90501

Beaver County Employees' Retirement Fund - Equity

Description	Issue	Rating	Shares	Unit Cost	Total Cost	Weight at Cost	Market Price	Market Value	Accrued Income	Total Value	Weight at Market
<i>Materials</i>											
MONSANTO CO	COMMON		6,000.00	72.87	437,248.80	1.53%	91.02	546,120.00	0.00	546,120.00	1.59%
<i>Telecommunication Services</i>											
AT&T INC	COMMON		19,241.00	30.87	593,904.45	2.08%	37.70	725,385.70	0.00	725,385.70	2.12%
<i>Utilities</i>											
PUBLIC SVC ENTERPR	COMMON		15,700.00	31.82	499,526.48	1.75%	32.18	505,226.00	0.00	505,226.00	1.47%
<i>Total Domestic Equity</i>					<u><u>\$27,396,654.27</u></u>	<u><u>95.86%</u></u>		<u><u>\$33,042,738.11</u></u>	<u><u>\$29,121.50</u></u>	<u><u>\$33,071,859.61</u></u>	<u><u>96.55%</u></u>
CASH	CASH		1,181,841.52	1.00	1,181,841.52	4.14%	1.00	\$1,181,841.52	\$0.00	\$1,181,841.52	3.45%
<i>Total Portfolio</i>					\$28,578,495.79	100.00%		\$34,224,579.63	\$29,121.50	\$34,253,701.13	100.00%

Portfolio Transactions

90501

June 30, 2012 Through September 30, 2012

Beaver County Employees' Retirement Fund - Equity

Sales

Description	Issue	CUSIP	Trade Date	Shares	Average Price	Total Proceeds	Gain/Loss
Sales							
PETSMART INC	COMMON	716768106	08/06/2012	3,100	67.30	208,554.64	136,253.06
PETSMART INC	COMMON	716768106	08/07/2012	600	67.60	40,546.49	26,552.63
DELL INC	COMMON	24702R101	08/17/2012	36,700	12.19	446,478.51	-680,760.16
CONOCOPHILLIPS	COMMON	20825C104	08/21/2012	8,692	56.66	492,269.07	71,929.23
CONOCOPHILLIPS	COMMON	20825C104	08/22/2012	4,189	56.47	236,474.64	33,897.15
AT&T INC	COMMON	00206R102	09/26/2012	5,200	38.34	199,233.53	38,727.16
ABBOTT LABS	COMMON	002824100	09/26/2012	2,500	69.30	173,198.61	37,218.11
APACHE CORP	COMMON	037411105	09/26/2012	1,600	85.26	136,384.78	-64,750.42
APPLE INC	COMMON	037833100	09/26/2012	500	664.29	332,125.06	125,450.90
BANK OF NEW YORK MEL	COMMON	064058100	09/26/2012	5,700	22.56	128,487.65	-28,747.34
BORG WARNER INC	COMMON	099724106	09/26/2012	1,900	69.22	131,467.55	2,691.06
CELGENE CORP	COMMON	151020104	09/26/2012	1,900	76.49	145,296.77	35,469.03
CHEVRON CORP	COMMON	166764100	09/26/2012	2,700	116.48	314,447.37	160,321.42
CISCO SYSTEMS INC	COMMON	17275R102	09/26/2012	10,100	18.54	186,997.30	-8,182.64
COACH INC	COMMON	189754104	09/26/2012	4,100	53.97	221,172.00	-11,704.43
WALT DISNEY CO	COMMON	254687106	09/26/2012	5,400	51.95	280,423.81	160,680.46
DOVER CORP	COMMON	260003108	09/26/2012	2,500	58.63	146,515.71	40,879.73
EMC CORP MASS	COMMON	268648102	09/26/2012	6,800	26.74	181,672.20	34,332.52
EMERSON ELEC CO	COMMON	291011104	09/26/2012	1,400	48.04	67,224.95	23,833.13
ENDO HEALTH SOLUTNS	COMMON STOCK	29264F205	09/26/2012	3,200	31.55	100,877.73	-27,469.07
EXPRESS SCRIPTS HLDG	COMMON STOCK	30219G108	09/26/2012	3,300	63.11	208,183.42	25,139.63
FREEPORT-MCMORAN C&G	COMMON	35671D857	09/26/2012	4,700	39.09	183,628.17	-10,388.55
GENERAL ELECTRIC CO	COMMON	369604103	09/26/2012	10,100	22.17	223,665.54	59,025.13
GOLDMAN SACHS GROUP	COMMON	38141G104	09/26/2012	1,700	112.58	191,340.40	-38,945.00
GOOGLE INC	CLASS A	38259P508	09/26/2012	400	747.74	299,080.30	152,090.00
HALLIBURTON	COMMON	406216101	09/26/2012	4,300	33.82	145,316.53	-13,739.16

Portfolio Transactions

90501

June 30, 2012 Through September 30, 2012

Beaver County Employees' Retirement Fund - Equity

Sales

Description	Issue	CUSIP	Trade Date	Shares	Average Price	Total Proceeds	Gain/Loss
Sales							
HESS CORPORATION	COMMON	42809H107	09/26/2012	3,800	52.59	199,748.60	-25,398.24
HONEYWELL INTL INC	COMMON	438516106	09/26/2012	2,900	59.03	171,117.62	46,133.74
INTEL CORP	COMMON	458140100	09/26/2012	8,100	22.61	183,004.86	9,537.31
JPMORGAN CHASE & CO	COMMON	46625H100	09/26/2012	4,100	40.26	164,985.22	21,191.66
KENNAMETAL INC	COMMON	489170100	09/26/2012	4,100	36.03	147,641.79	-6,676.11
KOHL'S CORP	COMMON	500255104	09/26/2012	3,100	51.25	158,795.18	-5,408.10
MICROSOFT CORP	COMMON	594918104	09/26/2012	10,600	30.17	319,538.31	99,153.71
MONSANTO CO	COMMON	61166W101	09/26/2012	1,600	89.71	143,507.82	26,908.14
NORFOLK SOUTHERN	COMMON	655844108	09/26/2012	2,200	64.52	141,894.84	72,572.84
OCCIDENTAL PETE CORP	COMMON	674599105	09/26/2012	1,700	84.93	144,342.74	-5,262.63
ORACLE CORP	COMMON	68389X105	09/26/2012	6,600	30.78	203,012.76	15,418.32
PETSMART INC	COMMON	716768106	09/26/2012	3,700	67.86	250,988.31	164,692.87
PHILIP MORRIS INTL	COMMON	718172109	09/26/2012	1,500	90.51	135,734.95	78,634.72
PUBLIC SVC ENTERPR	COMMON	744573106	09/26/2012	4,100	32.01	131,172.86	723.27
QUEST DIAGNOSTICS	COMMON	74834L100	09/26/2012	2,900	62.67	181,673.38	26,763.45
SANDISK CORP	COMMON	80004C101	09/26/2012	4,000	42.49	169,861.39	-35,608.56
STARBUCKS CORP	COMMON	855244109	09/26/2012	3,400	50.03	170,030.52	82,355.57
TEXAS INSTRUMENTS	COMMON	882508104	09/26/2012	2,800	27.13	75,893.41	864.36
3M COMPANY	COMMON	88579Y101	09/26/2012	2,400	92.89	222,871.96	41,848.10
VARIAN MED SYS INC	COMMON	92220P105	09/26/2012	1,800	60.12	108,177.93	11,816.19
WAL MART STORES INC	COMMON	931142103	09/26/2012	5,400	74.32	401,219.65	128,687.78
WALGREEN CO	COMMON	931422109	09/26/2012	4,000	35.98	143,833.17	-31,452.11
WELLS FARGO & CO	COMMON	949746101	09/26/2012	6,400	34.51	220,703.53	34,342.57
ZIMMER HOLDINGS	COMMON	98956P102	09/26/2012	2,700	66.64	179,882.38	-1,124.67
COVIDIEN PLC	SHARES	G2554F113	09/26/2012	2,700	59.83	161,469.88	59,239.53
TRANSOCEAN LTD	COMMON	H8817H100	09/26/2012	2,600	46.15	119,938.69	-110,402.64

Portfolio Transactions

June 30, 2012 Through September 30, 2012

90501

Beaver County Employees' Retirement Fund - Equity

Sales

Description	Issue	CUSIP	Trade Date	Shares	Average Price	Total Proceeds	Gain/Loss
Sales							
TYCO INTL LTD	COMMON	H89128104	09/26/2012	3,500	54.57	190,909.52	44,752.37
Total Sales						10,263,014.00	1,024,106.99
Total Sales and Principal Payments						10,263,014.00	1,024,106.99

Portfolio Transactions

90501

June 30, 2012 Through September 30, 2012

Beaver County Employees' Retirement Fund - Equity

Purchases

Description	Issue	CUSIP	Trade Date	Shares	Average Price	Total Cost
Purchases						
COACH INC	COMMON	189754104	08/03/2012	8,100	52.73	-427,240.98
APPLE INC	COMMON	037833100	08/17/2012	600	641.66	-385,008.84
OCCIDENTAL PETE CORP	COMMON	674599105	08/21/2012	6,000	88.05	-528,420.60
OCCIDENTAL PETE CORP	COMMON	674599105	08/22/2012	2,500	87.82	-219,606.25
Total Purchases						- \$1,560,276.67
Total Purchases and Principal Payups						- \$1,560,276.67

Portfolio Transactions

90501

June 30, 2012 Through September 30, 2012

Beaver County Employees' Retirement Fund - Equity

Income

Description	Issue	CUSIP	Pay Date	Proceeds
COACH INC	COMMON	189754104	07/02/2012	3,540.00
PHILIP MORRIS INTL	COMMON	718172109	07/12/2012	5,544.00
QUEST DIAGNOSTICS	COMMON	74834L100	07/18/2012	2,533.00
CISCO SYSTEMS INC	COMMON	17275R102	07/25/2012	3,892.00
GENERAL ELECTRIC CO	COMMON	369604103	07/25/2012	8,151.50
MONSANTO CO	COMMON	61166W101	07/27/2012	2,280.00
ZIMMER HOLDINGS	COMMON	98956P102	07/27/2012	2,250.00
CASH	CASH	CASH	07/30/2012	218.23
JPMORGAN CHASE & CO	COMMON	46625H100	07/31/2012	6,060.00
AT&T INC	COMMON	00206R102	08/01/2012	10,754.04
FREEPORT-MCMORAN C&G	COMMON	35671D857	08/01/2012	7,000.00
ORACLE CORP	COMMON	68389X105	08/03/2012	1,572.00
BANK OF NEW YORK MEL	COMMON	064058100	08/07/2012	3,575.00
PETSMART INC	COMMON	716768106	08/10/2012	3,597.00
ABBOTT LABS	COMMON	002824100	08/15/2012	6,018.00
APPLE INC	COMMON	037833100	08/16/2012	4,770.00
COVIDIEN PLC	SHARES	G2554F113	08/16/2012	2,446.88
TEXAS INSTRUMENTS	COMMON	882508104	08/20/2012	3,791.00
APACHE CORP	COMMON	037411105	08/22/2012	1,156.00
KENNAMETAL INC	COMMON	489170100	08/22/2012	2,624.00
TYCO INTL LTD	COMMON	H89128104	08/22/2012	4,218.75
STARBUCKS CORP	COMMON	855244109	08/24/2012	2,295.00
CASH	CASH	CASH	08/27/2012	193.31
INTEL CORP	COMMON	458140100	09/01/2012	8,662.50
WELLS FARGO & CO	COMMON	949746101	09/01/2012	7,458.00
CONOCOPHILLIPS	COMMON	20825C104	09/04/2012	8,501.46
WAL MART STORES INC	COMMON	931142103	09/04/2012	10,176.00
CHEVRON CORP	COMMON	166764100	09/10/2012	11,835.00
EMERSON ELEC CO	COMMON	291011104	09/10/2012	4,040.00
HONEYWELL INTL INC	COMMON	438516106	09/10/2012	5,215.00

Portfolio Transactions

90501

June 30, 2012 Through September 30, 2012

Beaver County Employees' Retirement Fund - Equity

Income

Description	Issue	CUSIP	Pay Date	Proceeds
NORFOLK SOUTHERN	COMMON	655844108	09/10/2012	5,100.00
3M COMPANY	COMMON	88579Y101	09/12/2012	6,549.00
WALGREEN CO	COMMON	931422109	09/12/2012	5,225.00
MICROSOFT CORP	COMMON	594918104	09/13/2012	10,080.00
DOVER CORP	COMMON	260003108	09/15/2012	4,095.00
CASH	CASH	CASH	09/21/2012	161.34
HALLIBURTON	COMMON	406216101	09/26/2012	1,593.00
KOHLS CORP	COMMON	500255104	09/26/2012	3,872.00
GOLDMAN SACHS GROUP	COMMON	38141G104	09/27/2012	2,898.00
HESS CORPORATION	COMMON	42809H107	09/28/2012	1,850.00
PUBLIC SVC ENTERPR	COMMON	744573106	09/28/2012	7,029.00
Total Income				\$192,820.01

Portfolio Transactions

90501

June 30, 2012 Through September 30, 2012

Beaver County Employees' Retirement Fund - Equity

Other

Description	Issue	CUSIP	Transaction Type	Trade Date	Shares	Average Price	Proceeds/ Distributions	Gain/Loss
CASH	CASH	CASH	Cash Withdrawal	07/10/2012	3,581	1.00	-3,581.21	0.00
CASH	CASH	CASH	Cash Deposit	07/17/2012	537	1.00	536.66	0.00
CASH	CASH	CASH	Cash Deposit	07/20/2012	3,581	1.00	3,581.21	0.00
CASH	CASH	CASH	Cash Deposit	08/24/2012	274	1.00	274.19	0.00
CASH	CASH	CASH	Cash Deposit	08/24/2012	380	1.00	380.09	0.00
CASH	CASH	CASH	Cash Deposit	09/12/2012	793	1.00	793.45	0.00
CASH	CASH	CASH	Cash Withdrawal	09/26/2012	9,000,000	1.00	-9,000,000.00	0.00
Total Other							-8,998,015.61	0.00

FIVE MINUTES *with* C.S. McKEE



INVESTMENT
MANAGERS

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THE ECONOMY AT A GLANCE

In an eventful summer for the global economy, the European Central Bank surprised markets with a plan to support the euro and bond markets of member countries. Our Federal Reserve then exceeded expectations itself with its plan to purchase \$40 billion in mortgages a month and continue expanding its balance sheet until job creation increases. While the Fed's plan will be the more effective, neither will do much to spur growth, the real key to paying down debt.

The threatened tax increases and reduced government spending of the looming U.S. "fiscal cliff" total approximately \$600 billion—equivalent to nearly 4% of GDP. No action would almost certainly tip the economy into recession next year. But we expect a compromise entailing a return to a 6.2% Social Security tax rate and a phase-out of the Bush tax cuts. Europe should see economic growth of approximately 0.5% next year, while Asia growth fades to a 6.5% rate. Buoyed by a steady increase in housing starts and the revival of domestic capital spending, the U.S. should sneak over the 2% mark.

FIXED INCOME

While the initial spike in most commodities prices and TIPS break-even rates faded into quarter end, the announcement of Fed action had the desired effect on most spread sectors of the domestic market. Despite growing evidence of sub-par and slowing economic growth in the quarter, investment-grade credit outperformed Treasuries strongly; commercial mortgages, even more so.

We expect the balance of the year to be what one analyst called "a fragile holding period." A temporarily weakening economy, marked by brief periods of elation and gloom, will be supported by open-ended Fed policy that will keep market rates narrowly defined. Completion of the Presidential election and a Congressional compromise on tax hikes and government spending cuts should buoy business and investor sentiment, driving 10-year Treasury yields above 2%. The long bond should see yields at or above 3.25%. Principal protection is a high-ranking concern in this environment of low rates and tight yield spreads.

*A compromise to
avoid the fiscal cliff*

DOMESTIC EQUITY

Let's see . . . the debt crisis in Europe is unresolved, with many economies in recession or headed that way; the upcoming U.S. election has major economic implications; a "fiscal cliff" of tax hikes and spending cuts is only months away; and earnings forecasts on U.S. stocks are being slashed. So of course the S&P 500 Index rose 6.3% in the quarter; the Russell 1000 Value Index, 6.5%; the Russell 2000 Index, 5.3%. Oh yeah, the Federal Reserve announced a third round of quantitative easing and is keeping interest rates near zero into 2015 The large-type imperative says it all.

We said in January we expected U.S. stocks to return 10%-15% in 2012.

Don't fight the Fed

Market performance is now slightly above the upper end of that range. If the markets just hold on to the gains booked in the first nine months, 2012 would be viewed as very successful, given the earlier consensus estimates.

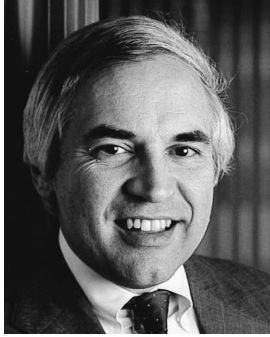
INTERNATIONAL EQUITY

The benchmark EAFE Index gained 6.92% in the third quarter of a continuing "risk-on" year. Euro-zone economic statistics remain weak, and the economy is probably in recession. The European Central Bank has taken aggressive action to ease monetary policy and improve credit flows even though inflation remains above its 2% target. The United Kingdom remains in recession, its economy having contracted for three consecutive quarters. The Bank of England is continuing its quantitative easing program.

The Chinese economy, continuing to decelerate, still reported real growth of 7.6% in the second quarter. Consumer spending and services remain strong, but manufacturing and exports have weakened. The government has unveiled a modest stimulus program, but more vigorous action is unlikely until the new administration takes office. The Japanese economy expanded modestly in the second quarter, but business indicators were soft. Earthquake reconstruction will continue, but exports are weakening. The Bank of Japan is resuming its quantitative easing program. Growth is also slowing in Singapore and Australia.

THE EURO-ZONE DEBT CRISIS SAME OLD, SAME OLD

By William J. Andrews, CFA, Senior Vice President and Portfolio Manager, International Equity



I feel like Bill Murray in the iconic movie *Groundhog Day* that my colleague Brian Allen mentioned in describing the U.S. economy in the July issue of *Five Minutes*. I could have written this same commentary about the euro-zone sovereign debt crisis two years ago, . . .

and it will probably be accurate two years from now. Amazingly, little has changed in the three years since the (then) newly elected Greek government shocked the world by revealing that its predecessors had understated the magnitude of fiscal deficits for many years.

Now the Troika (the International Monetary Fund, the European Central Bank and the European Commission), which financed and monitors the Greek debt bailout, is once again rejecting the country's austerity measures as inadequate. Economists continue to debate whether Greece will abandon the euro for the drachma or if Germany will return to the Deutsche Mark. Traders pause to scrutinize southern European debt auctions, and U.S. equity markets are held hostage to the results. The economy of the euro zone again teeters on the brink of recession, with record unemployment and fourteen straight months of contraction in manufacturing activity. I have no reason to expect any of these circumstances to change for the better soon.

Who or what can prevent the euro zone from hurtling over its own "fiscal cliff"? The European Central Bank and its President, Mario Draghi, that's what and who. Sr. Draghi is committing the full resources of the ECB to provide short-term funding for euro-zone banks and to purchase short-maturity sovereign bonds of those governments that submit to formal austerity programs. Jens Weidmann, the President of the Bundesbank, will vociferously oppose these ECB lending operations, but will continue to be out-voted within the ECB's Governing Council.

The euro zone again on the brink of recession

Since Sr. Draghi has seven years remaining in his single term as ECB President, he can forestall euro-zone financial collapse for quite some time. The ultimate cost of this intervention in terms of lost economic growth and higher inflation is unknowable, but possibly substantial. Nonetheless, the full consequences of the strategy known as "extend and pretend" may not be known for years.

Unfortunately, while Sr. Draghi might preserve the 17-member euro zone, he cannot make it grow. Prolonged fiscal austerity in the southern countries will depress local demand and the export businesses in Germany and the northern countries. Given the size of the euro-zone economy, its lack of growth will weigh on China and the developing countries, creating a painful drag on global GDP and employment. This is the price of borrowing future growth for short-term political expediency. It's the price exacted by current U.S. policy as well.

When I listen closely, I can hear Sonny & Cher singing "I Got You Babe." □

Consequences of "extend and pretend" strategy not all known

REAL-WORLD MONEY SMARTS FOR THE YOUNG (and maybe the not-so-young)

C.S. McKee is an advocate of financial literacy. One of our colleagues, Gene Natali, Jr., recently co-authored and published his first book, *The Missing Semester*. A financial guide for young adults (both students and workers), it aims to create awareness of the consequences of one's financial choices and encourages readers to take ownership of their financial future. *The Missing Semester* has been introduced to schools, financial firms and retirement systems across the country. The authors hope to help a generation of young adults avoid costly mistakes. See more at TheMissingSemester.com
